

## Message Text

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R 061540Z APR 77  
FM AMEMBASSY MANAMA BAHRAIN  
TO SECSTATE WASHDC 4468  
INFO USCINCEUR

S E C R E T SECTION 1 OF 4 MANAMA 779/1

USCINCEUR FOR POLAD

E.O. 11652: GDS  
TAGS: PFOR, BA, XF  
SUBJECT: BAHRAIN: PARM - ANNUAL POLICY AND RESOURCES ASSESS-  
MENT - PART I

REFS: (A) CERP 0001 (B) STATE 38356 (C) STATE 47671  
(D) STATE 49794

A. U.S. INTERESTS

1. AMERICA'S INTEREST IN BAHRAIN IS ALMOST EXCLUSIVELY A  
FUNCTION OF ITS LOCATION IN THE OIL-RICH PERSIAN GULF. WE AND  
OUR ALLIES NEED THIS REGION'S OIL, AND ITS MONEY, AND FOSTERING  
LOCAL CONDITIONS IN BAHRAIN, AND IN THE OTHER GULF STATES,  
WHICH ASSURE CONTINUING ACCESS TO OIL, INVESTMENT FUNDS, AND  
EXPORT PROFITS WILL BE A MAJOR US CONCERN FOR YEARS TO COME.

2. BAHRAIN IS NOT ITSELF A SIGNIFICANT OIL PRODUCER, NOR IS IT  
AN IMPORTANT SOURCE OF SURPLUS CAPITAL, BUT IT IS AN IMPORTANT  
AND GROWING REGIONAL BUSINESS AND BANKING CENTER IN WHICH SOME  
SIXTY AMERICAN FIRMS AND EIGHT OF OUR LARGEST BANKS ARE ACTIVE.

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OUR SHARE OF BAHRAIN'S 1976 IMPORTS OF \$670 MILLION CIF WAS  
OVER \$100 MILLION. CALTEX OWNS A 250,000 B/D REFINERY HERE  
WHICH HAS A REPLACEMENT VALUE OF ABOUT ONE BILLION DOLLARS. THE  
BAHRAIN PETROLEUM COMPANY, WITH OUTPUT OF 57,000 B/D, AND  
PERHAPS AS MUCH AS NINE TRILLION CUBIC FEET OF NON-ASSOCIATED  
NATURAL GAS RESERVES IS OWNED 40 PERCENT BY CALTEX (60 PERCENT BY  
GOB). KAISER HAS A 17 PERCENT SHARE IN BAHRAIN'S GAS-FIRED 120,000

TON/YR ALUMINUM SMELTER.

3. THOUGH IT IS THE POOREST OF THE SMALLER GULF STATES, BAHRAIN COULD PROVE IMPORTANT TO REGIONAL STABILITY IN THE YEARS AHEAD. BAHRAIN IS THE MOST POPULOUS, MOST SOCIALLY AND ADMINISTRATIVELY ADVANCED, AND MOST POLITICALLY ACTIVE OF THE LOWER GULF SHEIKDOMS. OIL IS STILL ITS MOST IMPORTANT SOURCE OF REVENUE BUT THE END OF OIL HERE IS ONLY 15-20 YEARS AWAY AND, IN MANY RESPECTS, BAHRAIN ALREADY IS BECOMING REGION'S FIRST POST-OIL ECONOMY. AS THE CHAOTIC AND EXPLOSIVE EXPANSION OF THE OIL BOOM SUBSIDES ELSEWHERE IN THE LOWER GULF, BAHRAIN COULD PROVIDE AN INCREASINGLY RELEVANT EXAMPLE TO ITS SMALLER NEIGHBORS IN THEIR POST-BOOM ATTEMPTS TO STABILIZE SOCIALLY AND GOVERNMENTALLY. THEREFORE, BAHRAIN'S PRESENT EMPHASIS ON ORDERLY PROGRESS AND EQUITABLE SOCIAL DEVELOPMENT, THOUGH NOT WITHOUT ITS BLEMISHES, IS ONE WHICH IT IS IN OUR BROADER INTERESTS TO ENCOURAGE AND ASSIST.

4. THE ONLY US INTEREST IN BAHRAIN WHICH IS TRULY UNIQUE, THOUGH ALSO A FUNCTION OF OUR WIDER AREA INTERESTS, IS THE PRESENCE HERE OF OUR NAVY'S THREE-SHIP MIDDLE EAST FORCE. IN THE HEAT OF ARAB EMOTION DURING THE OCTOBER 1973 MIDDLE EAST WAR THE BAHRAINIS SAID THE NAVY WOULD HAVE TO GO; LATER, IN 1975, THEY SAID THE WITHDRAWAL DATE WOULD HAVE TO BE JUNE 30, 1977. NOW, HOWEVER, AS RESULT OF RECENT AND ON-GOING NEGOTIATIONS, IT APPEARS LIKELY THAT WHILE WE WILL LOSE IMPORTANT HOMEPORTING PRIVILEGES, WE WILL BE ABLE TO RETAIN FOR A FEW MORE YEARS SOME BERTHING RIGHTS AND KEEP ON-SHORE SUPPLY AND MAINTENANCE FACILITIES.

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5. MIDDLE EAST FORCE IS AN IMPORTANT FACTOR IN OUR ABILITY TO SHOW THE FLAG IN THE GULF, INDIAN OCEAN, AND RED SEA REGIONS. IT PLAYS A ROLE IN TRAINING AREA NAVIES AND FOR ALMOST THIRTY YEARS HAS SERVED AS A SYMBOL OF US INTEREST IN THE REGION. IT IS IN OUR INTEREST TO MAINTAIN THIS SYMBOLISM, TO CONTINUE TO USE MIDDLE EAST FORCE TO PARALLEL IN PART SOVIET NAVAL ACTIVITIES IN THE REGION, AND, IN THE EVENT OF SOVIET WILLINGNESS, TO HAVE THIS NAVAL CARD TO PLAY IN ANY NEGOTIATIONS LEADING TO DEMILITARIZATION OF THE INDIAN OCEAN.

6. BAHRAIN'S ESSENTIAL CONSERVATISM, BUSINESS ORIENTATION, REMOTENESS FROM THE CONFRONTATION ARENA, AND LACK OF SIGNIFICANT PALESTINIAN POPULATION, LEAD IT TOWARD MODERATION ON THE ARAB-ISRAEL ISSUE. HOWEVER, OUR INTEREST IN MAINTAINING AND ENCOURAGING MODERATION ON THIS ISSUE IN ARAB STATES IS, IN BAHRAIN, ALMOST TOTALLY A FUNCTION OF SAUDI ATTITUDES AND POSITIONS. BAHRAIN NEEDS, AND GETS, SAUDI FUNDS FOR MAJOR DEVELOPMENT PROJECTS. BAHRAIN SERVES AS AN IMPORTANT, AND PROFITABLE,

TRANSIT POINT FOR GOODS DESTINED FOR SAUDI ARABIA'S EASTERN PROVINCE. SAUDI ARABIA IS BAHRAIN'S ECONOMIC AND POLITICAL "BIG BROTHER" AND THIS ISLAND STATE WILL BE PHYSICALLY CONNECTED TO SAUDI ARABIA BY A TWENTY-MILE CAUSEWAY WITHIN A FEW YEARS. ONLY IF SAUDI ARABIA WERE ALMOST TOTALLY ISOLATED IN THE ARAB WORLD ON AN ARAB-ISRAEL ISSUE WOULD BAHRAIN CONSIDER A SEPARATE COURSE.

## B. OVERVIEW

1. SUCCESSFUL PURSUIT IN BAHRAIN OF OUR BILATERAL AND WIDER REGIONAL INTERESTS DEPENDS IN THE FIRST INSTANCE ON OUR CONTINUING ABILITY TO SATISFY THE KEY ARAB STATES, PARTICULARLY SAUDI ARABIA, THAT THE UNITED STATES IS WORKING SINCERELY AND STEADILY TOWARD A RESOLUTION OF THE ARAB-ISRAEL CONFLICT. SAUDI ARABIA'S DESIRE AND ABILITY TO STAND RELATIVELY ALOOF FROM THE

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S E C R E T SECTION 2 OF 4 MANAMA 779/2

ARAB-ISRAEL ISSUE BEFORE OCTOBER 1973 MADE IT POSSIBLE FOR BAHRAIN, AS WELL AS OTHER SMALL GULF STATES, TO DO SO AS WELL. FOR EXAMPLE, WE WERE ABLE TO ESTABLISH DIPLOMATIC RELATIONS WITH THE NEWLY-INDEPENDENT GULF STATES AT A TIME (1971) WHEN OUR SUPPORT FOR ISRAEL HAD LEFT US WITHOUT RELATIONS WITH A NUMBER OF MAJOR ARAB STATES, INCLUDING EGYPT AND SYRIA. SAUDI ARABIA IS NOW DEEPLY INVOLVED IN A VERY POSITIVE WAY WITH OUR MIDDLE EAST DIPLOMACY BUT IF THAT DIPLOMACY FAILS OR FALTERS, AND WE BEGIN TO LOSE SAUDI SUPPORT AND FRIENDSHIP, THEN BAHRAIN, AND OTHER SMALL GULF STATES, WOULD HAVE LITTLE CHOICE BUT TO ADAPT TO WHATEVER NEW COURSE WOULD BE SET IN RIYADH.

2. OUR INTERESTS IN BAHRAIN ITSELF, AND IN BAHRAIN'S POTENTIAL

AS AN EXAMPLE OF STABILITY TO ITS SMALLER NEIGHBORS, COULD BE DAMAGED IF THE RULING FAMILY FAILS TO DELIVER ON SOCIAL WELFARE AND EQUITABLE ECONOMIC PROGRESS. THE RULING AL KHALIFA FAMILY HAS NEVER ACHIEVED TOTAL POPULAR SUPPORT DESPITE MANY YEARS OF A RELATIVELY PROGRESSIVE ATTITUDE TOWARD SOCIAL WELFARE AND ORDERLY DEVELOPMENT. THIS IS SO IN PART BECAUSE BAHRAINIS ARE SOCIALLY MORE ADVANCED AND HAVE A HIGHER LEVEL OF EXPECTATION THAN OTHER GULF ARABS, AND BECAUSE THE AL KHALIFA SOMETIMES BACKSLIDE ON REFORM. ALSO, FAMILY MEMBERS HAVE BEEN UNABLE TO RESIST SKIMMING OFF MUCH OF THE ECONOMIC CREAM FOR THEMSELVES.

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THE LEADING MERCHANT CLANS, THEMSELVES A RATHER GREEDY LOT, COMPLAIN ABOUT AL KHALIFA GREED AND MANY OF THOSE LOWER DOWN THE SOCIAL LADDER RESENT THE BUSINESS PRACTICES OF BOTH THE FAMILY AND THE BIG MERCHANTS. THIS RESENTMENT WOULD BE MORE WIDESPREAD, AND MORE IMMEDIATELY DANGEROUS TO THE REGIME, IF THE ECONOMIC PIE HAD NOT GROWN SO LARGE, SO FAST UNDER THE STIMULUS OF OIL PRICE INCREASES SINCE 1973. WHEN THE PIE BEGINS TO SHRINK, AS IT MUST IN A DECADE OR SO WHEN BAHRAIN'S OIL RUNS OUT, PUBLIC DEMAND FOR MAINTAINING ITS ABSOLUTE SHARE WILL PRESENT THE FAMILY WITH THE TOUGH CHOICE BETWEEN REDUCING ITS OWN SHARE OR FACING A SERIOUS CHALLENGE TO ITS RULE.

3. LABOR UNREST HAS BEEN A GOOD BAROMETER OF POPULAR TEMPER OVER THE PAST TWO DECADES, SOMETIMES FOCUSED ON BREAD AND BUTTER ISSUES, SOMETIMES ON POLITICAL ONES, INCLUDING THE RIGHT TO TRADE UNIONS. IT WAS EXPECTED THAT A RECENTLY PROMULGATED LABOR LAW WOULD PERMIT TRADE UNIONS BUT THE FAMILY GOT COLD FEET AND DELETED THIS PROVISION AT THE LAST MINUTE. NEVERTHELESS, THIS YEAR'S STRIKE SEASON, MARCH, PASSED MORE PEACEFULLY THAN ANY IN RECENT YEARS. PRESENT FULL EMPLOYMENT AND RECENT GOVERNMENT-LED WAGE INCREASES SHOULD PRODUCE ANOTHER PEACEFUL YEAR ON THE LABOR SCENE, PROVIDED THE GOVERNMENT CONTINUES TO WORK SERIOUSLY TO REDUCE INFLATION.

4. THE AL KHALIFA DISSOLVED BAHRAIN'S NATIONAL ASSEMBLY IN 1975, AND, AT LEAST OVERTLY, FEW HERE SEEMED TO MOURN ITS PASSING. THE KUWAITIS FOLLOWED SUIT IN 1976 AND THE AL KHALIFA SEEM TO FEEL THAT REPRESENTATIVE GOVERNMENT IN THE GULF IS AN IDEA WHOSE TIME CAME, WAS FOUND WANTING, AND HAS PASSED. THE FAMILY PUT ITS ROLE ON THE LINE AT THE TIME OF THE DISSOLUTION BY ASKING THE PUBLIC TO JUDGE IT IN THE NEAR FUTURE BY ITS PERFORMANCE IN MEETING A SEVERE HOUSING SHORTAGE AND IN CONTROLLING INFLATION. A NEW MINISTRY OF HOUSING WAS FORMED AND BY JULY, 1977 SOME 2500 NEW UNITS WILL HAVE BEEN BUILT, THOUGH THE MECHANISM FOR DECIDING WHO GETS A HOUSE, AND ON WHAT TERMS, IS WIDELY SUSPECTED OF BEING AT LEAST

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SOMEWHAT CORRUPT. INFLATION WAS REDUCED IN 1976 BY ABOUT TEN POINTS BELOW 1975'S FIGURE OF SOME THIRTY PERCENT. SO FAR, SO GOOD FOR THE AL KHALIFA BUT WE SUSPECT THAT THERE IS STILL A STRONG DESIRE HERE FOR REPRESENTATIVE INSTITUTIONS AND THAT THEIR ABSENCE COULD PROVE A FOCAL POINT FOR FUTURE UNREST.

5. BAHRAIN HAS HAD A HISTORY OF CLANDESTINE DISSIDENT GROUPS, WHICH, THOUGH NOW MUTED AND DISPERSED, COULD CAUSE TROUBLE AGAIN IN THE FUTURE, PARTICULARLY AMONG STUDENTS AND WORKERS. A POLITICALLY MOTIVATED MURDER EARLY THIS YEAR FRIGHTENED THE FAMILY AND HAS LED TO INCREASED ATTENTION TO SOURCES OF POTENTIAL TROUBLE. TRAVEL OF STUDENTS ABROAD WILL BE MORE STRICTLY CONTROLLED IN THE FUTURE, WITH PARTICULAR ATTENTION PAID TO THOSE WISHING TO GO TO IRAQ. THE MURDER INVESTIGATION REVEALED, AND ROOTED OUT, A NUMBER OF CLANDESTINE CELLS, MOST CONNECTED WITH THE POPULAR FRONT FOR THE LIBERATION OF OMAN AND BAHRAIN, AND, AFTER TRIAL AND APPEAL, TO A TRIPLE EXECUTION BY FIRING SQUAD. BOTH MURDER AND CAPITAL PUNISHMENT ARE EXTREMELY RARE IN BAHRAIN AND THE INCIDENT HAS MADE THE REGIME MORE CONSCIOUS THAN EVER OF THE POTENTIAL POWER FOR TROUBLE OF THE FEW. HOPEFULLY, THE FAMILY WILL SEE AS WELL THE NEED TO DISARM THE FEW BY ASSURING THAT SOCIAL AND ECONOMIC PROGRESS ARE FAIRLY SHARED BY THE MANY.

6. REGIONALLY, BAHRAIN WOULD BE COMFORTABLE INDEED WITH A DYNAMIC ENVIRONMENT OF GULF COOPERATION, INCLUDING IRAN, WITH BAHRAIN PLAYING A MINOR GO-BETWEEN ROLE AND SERVING, PROFITABLY, AS A CENTER FOR REGIONAL ACTIVITIES. BAHRAINIS HAVE THE POLITICAL SOPHISTICATION TO APPRECIATE AND BE PREPARED FOR REAL REGIONAL COOPERATION, BUT AS THE POOREST OF THE SMALL GULF STATES BAHRAIN IS NOT IN A POSITION TO TAKE THE LEAD IN ESTABLISHING IT. ALSO, BAHRAIN'S ABILITY TO TAKE SUCH A LEAD IS FURTHER DIMISHED BY ITS INVOLVEMENT IN ONE OF THE FEW UNRESOLVED TERRITORIAL DISPUTES IN THE GULF, OWNERSHIP OF HAWAR ISLAND, CURRENTLY CLAIMED BY BOTH BAHRAIN AND QATAR, BUT OCCUPIED BY THE FORMER AS THE RESULT OF AN

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EARLIER BRITISH DETERMINATION, THE SAUDIS HAVE OFFERED TO

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S E C R E T SECTION 3 OF 4 MANAMA 779/3

MEDIATE BUT HAVE DONE LITTLE SO FAR. THE ISSUE IS DORMANT  
NOW BUT THE POSSIBILITY OF OIL IN THE HAWAR AREA COULD ADD  
SUFFICIENT FUEL TO ALREADY STRONG FEELINGS OF NATIONAL PRIDE  
TO MAKE THIS A SERIOUS PROBLEM OVER THE NEXT YEAR OR TWO.

C. OBJECTIVES, COURSES OF ACTION, AND ISSUES. OUR FUTURE  
RELATIONS WITH BAHRAIN IN ALL FIELDS DEPENDS SO MUCH UPON  
THE SUCCESS OF OUR WIDER DIPLOMACY IN THE MIDDLE EAST THAT THE  
PHRASE "CONTINUE ACTIVELY TO SEEK MID EAST SETTLEMENT" SHOULD  
BE READ AS A COURSE OF ACTION AFTER EACH OBJECTIVE LISTED.

#### POLITICAL OBJECTIVES

##### 1. STRENGTHEN AND EXPAND U.S.-BAHRAINI RELATIONS

COURSES OF ACTION: (1) BE PREPARED TO RESPOND POSITIVELY,  
WITHIN THE CONFINES OF OUR REGIONAL ARMS POLICY, TO REASONABLE  
REQUESTS FOR ARMS SALES (SEE SECURITY OBJECTIVES BELOW). (2)  
ENCOURAGE U.S. FIRMS TO SEEK PROFITABLE TRADE AND FINANCIAL  
OPPORTUNITIES IN BAHRAIN. (3) CONTINUE TO ENCOURAGE BAHRAINI  
BURSARY STUDENTS TO STUDY IN THE U.S. (4) USE USIS ASSETS  
TO REACH YOUNGER BAHRAINIS WHOSE WESTERN CONNECTIONS AND  
LEANINGS MAY BE LESS FIRM THAN THOSE OF THEIR ELDERS. (5) SEEK  
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FURTHER PRAGMATIC EASING OF BAHRAINI BOYCOTT ENFORCEMENT  
PRACTICES INVOLVING U.S. FIRMS (BAHRAIN ALREADY ACCEPTS  
POSITIVE CERTIFICATIONS BY U.S. FIRMS). (6) KEEP BAHRAIN  
CAREFULLY INFORMED AS TO U.S. POSITIONS ON KEY ISSUES IN THE  
UN.

2. INTERNAL STABILITY: FOSTER ORDERLY DEVELOPMENT IN  
THE INTEREST OF BROADER GULF STABILITY

COURSES OF ACTION: (1) ASSIST THE BAHRAIN GOVERNMENT IN IMPLEMENTING ECONOMIC AND SOCIAL DEVELOPMENT PROJECTS LIKELY TO CONTRIBUTE TO SOCIAL/ECONOMIC PROGRESS AND POLITICAL COHESION, IN THIS CONNECTION, WE SHOULD ENCOURAGE, AND ASSIST WHERE FEASIBLE, THE GOB TO INSTITUTE A MORE STABLE SYSTEM OF LABOR RELATIONS, TO IMPROVE ITS MANPOWER PLANNING CAPABILITY, AND TO EXPAND MANPOWER DEVELOPMENT EFFORTS. (2) CONTINUE TO USE APPROPRIATE OPPORTUNITIES TO ENCOURAGE THE AL KHALIFAS TO RESTORE REPRESENTATIVE GOVERNMENT, WITHOUT UNDERMINING THEIR BASIC AUTHORITY, REALIZING THAT OUR INFLUENCE IN THIS AREA IS LIMITED AND, TO THE EXTENT THAT IT EXISTS, IT SHOULD BE EXERCISED JUDICIOUSLY.

3. REGIONAL STABILITY; ENLIST BAHRAIN COOPERATION IN  
EFFORTS TO BUILD MORE SOLID COOPERATION AMONG THE GULF  
LITTORAL STATES

COURSES OF ACTION: (1) ENCOURAGE BAHRAIN AND ITS NEIGHBORS TO CONTINUE SEEKING CHANNELS OF COOPERATION. (2) COUNSEL THE BAHRAINIS, AS WE DO THE QATARIS, TO SOLVE THEIR TERRITORIAL DISPUTE OVER HAWAR ISLAND, PEACEFULLY AND THROUGH COMPROMISE, BUT BE CAREFUL TO REMAIN ABSOLUTELY NEUTRAL AND UNINVOLVED THROUGHOUT THE PROCESS OF SETTLEMENT.

ECONOMIC OBJECTIVES

4. ENSURE THAT BAHRAIN REMAINS A HOSPITABLE BASE FOR  
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REGIONAL U.S. SERVICE AND FINANCIAL FIRMS, AND FOR OUR OIL  
COMPANY OPERATIONS

COURSES OF ACTION: ENCOURAGE THE BAHRAINIS TO CONTINUE AN OPEN-DOOR POLICY TO FOREIGN FIRMS AND COOPERATION IN DEALING WITH CALTEX AND THE BAHRAIN PETROLEUM COMPANY AS BEING IN THE LONG-TERM INTEREST OF BAHRAIN'S ECONOMIC VIABILITY AND POLITICAL STABILITY.

5. OBTAIN FOR U.S. BUSINESS THE HIGHEST PROPORTION POSS-  
IBLE OF BAHRAIN EXPENDITURES FOR IMPORTS AND DEVELOPMENT

COURSES OF ACTION: (1) ENCOURAGE COMMERCE ACTION GROUP FOR THE NEAR EAST (CAGNE) PERSONNEL TO CONTINUE TO IMPROVE EFFECTIVENESS OF THEIR RESPONSE AND TO MAKE PERIODIC VISITS TO BAHRAIN TO FAMILIARIZE THEMSELVES WITH THE BAHRAINI BUSINESS ENVIRONMENT, AND (2) CONTINUE TRADE PROMOTION EFFORTS TO STRESS THE OPPORTUNITIES IN BAHRAIN FOR ESTABLISHING

REGIONAL SERVICE CENTERS.

6. ASSIST BAHRAIN TO DEVELOP OTHER SOURCES OF NATIONAL INCOME TO AUGMENT AND EVENTUALLY REPLACE ITS DWINDLING OIL INCOME.

COURSES OF ACTION: (1) ASSURE SUCCESSFUL PERFORMANCE OF USAID TECHNICAL ASSISTANCE PROGRAM. (2) CONTINUE TO PROMOTE ECONOMIC ASSISTANCE FROM OTHER DONORS. (3) ENCOURAGE THE SAUDIS TO CONTINUE HIGH PRODUCTION FROM THE ABU SAFAH FIELD (REVENUES FROM WHICH ARE SHARED 50-50 WITH BAHRAIN). (4) CONTINUE PEACE CORPS ASSISTANCE. (5) ENCOURAGE BAHRAINI USE OF AID'S REIMBURSABLE TECHNICAL ASSISTANCE PROGRAM.

SECURITY OBJECTIVE

7. SEEK TO RETAIN AS MUCH AS POSSIBLE OF NAVY'S FACILITIES HERE, AT ACCEPTABLE ECONOMIC AND POLITICAL COSTS, FOR FUTURE SUPPORT OF MIDDLE EAST FORCE WHEN IT BECOMES AN  
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S E C R E T SECTION 4 OF 4 MANAMA 779/4

AFLOAT COMMAND JUNE 30, 1977. NEGOTIATIONS ARE NOW IN PROGRESS AIMED AT SECURING THIS OBJECTIVE. AS FINAL OUTCOME BECOMES CLEARER WE SHOULD INFORM NEIGHBORING STATES, PARTICULARLY SAUDI ARABIA AND IRAN, OF GENERAL NATURE OF FUTURE



ARRANGEMENTS AND BE PREPARED TO ASSURE QATARIS THAT ANY ARMS WE MAY AGREE TO SELL TO BAHRAIN AS QUID PRO QUO FOR CONTINUING SOME NAVY PRESENCE HERE ARE NOT AIMED AT STIFFENING BAHRAIN'S POSTION IN HAWAR ISLAND DISPUTE.

8. ISSUE. BAHRAIN FIRST REOPENED QUESTION OF MIDDLE EAST FORCE BY SUGGESTING IN MID-1976 THAT A SECURITY ASSISTANCE RELATIONSHIP WOULD EASE BAHRAIN'S PROBLEMS IF NAVY WAS PERMITTED TO STAY. WHILE THERE HAS BEEN NO RECENT MENTION IN NEGOTIATIONS OF A SECURITY ASSISTANCE QUID PRO QUO, AND BAHRAIN ALREADY HAS AGREED IN PRINCIPLE TO SOME CONTINUING NAVY PRESENCE, SUBJECT MIGHT ARISE OVER NEXT FEW WEEKS AS WE TRY TO NAIL DOWN THE DETAILS OF THAT PRESENCE. WE SHOULD BE PREPARED SOON TO TURN OVER TO BAHRAIN THE REPORT OF A SURVEY OF ITS DEFENSE NEEDS WHICH WE CONDUCTED IN LATE 1976, AND BE PREPARED NOT LONG THEREAFTER, IF WE MUST, TO INDICATE ITEMS WE WOULD AND WOULD NOT BE PREPARED TO SELL, IN LIGHT OF BAHRAIN'S REAL NEEDS AND OUR GULF ARMS SALES POLICY.  
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## Message Attributes

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